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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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GARY PIERCE
BRENDA BURNS
SUSAN BITTER SMITH
BOB BURNS

2014 DEC 17 P 4: 45

AZ CORP COMMISSION,
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

DEC 17 2014

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A HEARING TO
DETERMINE THE FAIR VALUE OF THE
UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

Docket No. E-01345A-11-0224

**REPLY OF JOINT MOVANTS TO
THE RESPONSE OF ARIZONA
PUBLIC SERVICE COMPANY TO
THE JOINT MOTION TO
EXTEND EXPERIMENTAL RATE
RIDER SCHEDULE AG-1**

ORIGINAL

The undersigned AG-1 Customers and AG Generation Service Providers and Arizonan's for Electric Choice and Competition (collectively "Joint Movants") hereby Reply to the Response filed by Arizona Public Service Company ("APS") in the above captioned matter.

In its Response filed December 1, 2014 to Joint Movants' Joint Motion to Extend Experimental Rate Rider AG-1, Arizona Public Service Company requests that the Commission deny the Joint Movants' request for an extension of Rider Schedule AG-1 at the present time. In support of its position, APS argues that:

The Settlement Agreement has a specific process for Commission consideration of what to do with Schedule AG-1 after the expiration of the experiment in 2016. APS was to file a report with supporting testimony indicating whether the program should be continued, modified, or terminated. Although it was anticipated then that this decision would be made in the Company's next rate case, APS was and remains prepared to file that study and supporting testimony on or before June 1, 2015, either as part of a general rate design proceeding conducted prior to establishing a new revenue requirement for APS or in a standalone proceeding focused exclusively on AG-1. [Response at 3]

1 The Joint Movants concur with APS's representation that at the time of the Settlement
2 Agreement, it was anticipated that the decision to continue, modify, or terminate the AG-1
3 program would be made in APS's next general rate case.¹ Indeed, it was the subsequent
4 realization that APS's next general rate case might not be decided or perhaps even filed prior to
5 June 30, 2016 that prompted the Joint Movants' filing of their Motion to extend AG-1 service. At
6 the same time, however, the Joint Movants disagree with APS's contention that the Settlement
7 Agreement has a specific process independent of a general rate case which would require APS to
8 file a report with supporting testimony indicating whether the AG-1 program should be
9 continued, modified, or terminated. No such specific process is spelled out in the Settlement
10 Agreement, nor was one contemplated. Rather, Section 17.2 of the Settlement Agreement,
11 previously cited by the Joint Movants in their Motion, refers to AG-1 in the context of the
12 anticipated next general rate case filing as follows:

13 APS shall make commercially reasonable efforts to eliminate or mitigate all
14 unrecovered costs resulting from the AG-1 experimental program established in
15 this docket. If there are any lost fixed generation costs related to the AG-1
16 experimental rate, in its next general rate case, APS shall provide testimony that
17 explains why it was unable to eliminate all lost fixed generation costs. Because
18 AG-1 is an experimental program that may benefit certain General Service
19 customers, and because residential customers cannot participate in the program,
20 any APS proposal in APS's next general rate case that seeks to collect lost fixed
21 generation costs related to the AG-1 experimental rate shall not propose to recover
22 such costs from residential customers. (Emphasis added)²

23 Clearly, this language contemplates that AG-1 service would continue to be available
24 when the next general rate case is considered, and that issues concerning the parameters of AG-1
25

26 ¹ Further supportive of this view is the language of Section 1.6 of the Program Guidelines for the AG-1 Program, as
negotiated among APS and interested Stakeholders, which states as follows:

“The AG-1 Program will be reviewed no later than APS's next rate case to determine if it should be
extended or modified. APS will complete the review and include the AG-1 Program
recommendations in the rate case application, which is expected to be submitted on June 1, 2015.”
[emphasis added]

² In its Response, APS identifies several concerns it has with the current charges and terms of the AG-1 program.
As indicated in Section 17.2, these concerns can be addressed in APS's next general rate case.

1 would be considered in that proceeding. Significantly, the language does not call for a separate
2 report to be filed by APS to continue, modify, or terminate the program, and it certainly does not
3 specify that such a report must be prepared in advance and outside the context of a general rate
4 case.

5 While APS is not precluded from filing a report that addresses the question of continuing,
6 modifying, or terminating the AG-1 program, the (i) absence of a specific Settlement Agreement
7 requirement that APS file such a report outside a general rate case, and (ii) more importantly, the
8 absence of any Settlement Agreement contemplation or requirement that the fate of AG-1 would
9 be determined by the Commission outside a general rate case prior to AG-1's currently scheduled
10 termination on June 30, 2016, establishes the need for a definitive ruling by the Commission
11 extending AG-1 until questions concerning the future of the program (including the issues raised
12 by APS in its Response) can be considered in the next APS general rate case.

13 In that regard, APS's contention that it is prepared to file a study and supporting testimony
14 regarding the AG-1 program by June 1, 2015 does not by itself address the fact that the program
15 should not be terminated until the Commission can determine the future status of the program
16 after fully considering the input of interested parties and stakeholders regarding the program's
17 benefits and costs. Simply because APS is willing to make a filing concerning AG-1 does not
18 mean that the forum necessary to fairly and fully consider and decide this issue in a timely
19 manner prior to June 30, 2016 will in fact materialize. Rather than invite the possibility that the
20 successful AG-1 program will simply expire prior to a full examination, the Joint Movants
21 respectfully request that the Commission approve the Motion to continue Schedule AG-1 until the
22 conclusion of APS's next general rate case, which will provide the appropriate venue and means
23 for properly considering and determining whether the program should be continued, modified, or
24 terminated.

25 ...

26 ...

1 RESPECTFULLY SUBMITTED this 17th day of December 2014.

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